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Committee on Civil Liberties, Justice and Home Affairs

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DRAFT REPORT

with a proposal for a European Parliament recommendation to the European Council and the Council on combating the financing of terrorism
(2005/2065(INI))

Committee on Civil Liberties, Justice and Home Affairs

Rapporteur: Mario Borghezio

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PROPOSAL FOR A EUROPEAN PARLIAMENT RECOMMENDATION TO THE EUROPEAN COUNCIL AND THE COUNCIL

on combating the financing of terrorism
(2005/2065(INI))

The European Parliament,

– having regard to the proposal for a recommendation to the Council, presented by Stefano Zappalà on behalf of the PPE-DE Group, on preventing and combating the financing of terrorism through measures to improve exchanges of information, transparency and the traceability of financial transactions (B6-0221/2005),

– having regard to the Declaration on combating terrorism, adopted at the European Council meeting of 24 and 25 March 2004,

– having regard to the European Union's revised Plan of action against terrorism, adopted at the European Council meeting of 17 and 18 June 2004,

– having regard to the Communication from the Commission on the Prevention of and the fight against terrorism through measures to improve the exchange of information, to strengthen transparency and enhance the traceability of financial transactions (COM(2004)0700),

– having regard to the set of measures for the prevention and suppression of terrorism provided for in the Hague Programme, which was adopted at the European Council meeting of 4 and 5 November 2004 and supplemented by the conclusions of the Presidency of the European Council of 16 and 17 December 2004, in particular those relating to terrorism,

– having regard to the proposal for a directive on the prevention of the use of the financial system for the purpose of money laundering, including terrorist financing,

– having regard to Rule 114(3) and Rule 94 of its Rules of Procedure,

– having regard to the report of the Committee on Civil Liberties, Justice and Home Affairs (A6-0000/2005),

A. whereas the measures referred to in the Hague Programme which are relevant to the fight against terrorist financing, in particular as regards information, should be implemented rapidly, in order to strengthen freedom, security and justice in the European Union,

B. whereas the European security strategy calls for action to be taken against new threats through political, diplomatic, humanitarian, economic and financial measures and through police, judicial and military activities,

C. whereas the organisation, running and operational development of terrorist networks entails a harnessing of funds that to a large extent is bound to rely on constantly-evolving finance-raising activities, coupled with a continual search for new and interchangeable means of raising funds and of transferring these through legal and illegal channels, such as

currency couriers, money remittance systems such as Hawala or the use of charitable organisation networks,

D. whereas, in the context of the globalisation of employment, a vast flow of capital transits through the financial markets from the developed countries to the countries of the Third World and is nothing other than the fruit of the honest and legal labour of millions of workers, and in addition to this a substantial proportion of the financial flows originating in those countries relate to religious and/or charitable contributions to religious organisations free from any direct and/or indirect connections with international terrorism,

E. whereas, in the current situation of enormous currency flows on the global market, it is very difficult and complex, owing to the multiplicity of financial transfers and the ever-changing nature of the economy, to safeguard the integrity and regularity of such flows against the possibility of unlawful practices in respect of those transfers - practices such as laundering of the illicit proceeds of drug trafficking, arms trading, corruption, tax and customs fraud, trafficking in human beings and illegal immigration,

F. whereas, bearing in mind that the volume of funds collected annually by charitable organisations amounts to hundreds of billions of dollars, the initiatives implemented to ensure maximum financial transparency in that key sector are aimed primarily at guaranteeing the general interests of donors, those charitable institutions and the public authorities,

G. whereas, in many cases, terrorists have been able to use the proceeds of charitable fund collections, at times without the donors and even the managers and staff of those charitable organisations knowing about this; whereas, moreover, it has transpired that some not-for-profit organisations have provided cover and logistical support both for terrorist operations and for transfers of the arms used by terrorist networks,

H. whereas, in the fight against the financing of terrorism, the exchange of information is an effective means of stopping such financing,

1. Addresses the following recommendations to the Council:

   (a) that it adopt the third Directive on money laundering without delay,

   (b) that it ask those Member States with reservations to ratify the Protocol to the Convention of 29 May 2000 on mutual assistance in criminal matters between the Member States of the European Union and the International Convention on the suppression of the financing of terrorism of 9 December 1999, and to transpose the Council framework decision of 13 June 2002 on combating terrorism and Council Decision 2002/187/JHA of 28 February 2002 setting up Eurojust with a view to reinforcing the fight against serious crime

   (c) that it establish intelligence-sharing standards and appoint a person responsible at European level for information technologies in order to help EU intelligence services to share information and 'establish networks'; that it implement effectively the requirement to exchange information on terrorist acts in general and on the methods of financing terrorist networks in particular, in such a way as to permit a continuous

and comprehensive flow of information to the services of individual countries, as well as to Europol and Eurojust,

(d) that it provide substantial financial support for the FIU.NET (Financial Investigation Units Network) project, which aims to establish a computer network that facilitates the exchange of information between FIUs, especially in respect of the methods of financing terrorist networks,

(e) that it call on Member States to work together to establish joint managerial teams for cross-border investigations that enable an up-to-date and comprehensive investigative picture to be established of the sources of financing for terrorism, not least through continuous and regular intelligence exchanges with criminal prosecutors,

(f) that it call on Member States to implement with the utmost urgency measures to ensure that anyone playing a part in transfers of funds, including by way of virtual procedures, has received a specific authorisation or, at the least, is listed in an appropriate register and is subject to all the GAFI (General Authority for Investment) recommendations applicable to banks and para-banking institutions,

(g) that it foster exchanges of information, with the provision of technical and financial support, with third countries and dependent or associate territories that are so-called 'tax havens'; suitable legislative cooperation might enable those countries to reinforce and render more effective measures designed to ensure maximum across-the-board transparency in the financial procedures for fund transfers,

(h) that it call on Member States to introduce administrative, civil or criminal penalties for transfers of funds initiated outside the official channels,

(i) that it call on Member States to closely monitor financial institutions and fund transfer services in order to single out suspicious fund transfer activities in which transfers are not supported by the full name, address and account number of the (physical or legal) person requesting the transfer of funds,

(j) that it establish the requirement that the financial institutions, and any other entities subject to the obligations relating to the prevention of money laundering, urgently communicate all useful information to the competent public authorities when there are legitimate suspicions that certain funds might be channelled into terrorist activities or, more generally, to terrorist networks,

(k) that it systematically record transfer transactions that arouse suspicions owing to their being larger than the average, their frequency or the specific identity and geographical location of the clients and their counterparts, in such a way as to safeguard the official money transfer system from real risk of implication in illicit activities and above all in the financing of terrorist activities. In relation to flows of funds ascribable to transfers by immigrant communities, outward flows towards certain countries should be monitored when the overall amounts transferred are disproportionate to the financial capacities of the persons concerned,

(l) that it adopt legislation to ensure that not-for-profit organisations afford maximum

transparency to their own management, financial and budget procedures, by exclusively using official bank accounts for fund deposits and standard and formal channels for fund transfers, by publishing budget plans that are as comprehensive as possible and include information on the precise identity of the recipients and on the intended use of the funds, and by entrusting the auditing of their own management processes to independent auditors,

(m) that it call on not-for-profit organisations to work together more closely with experts in the field of international terrorism financing in order to shield themselves from any implication whatsoever in terrorist activities in view of the genuine risk of their activities being unlawfully used for the purpose of financing terrorist networks,

(n) that it call on Member States to ensure maximum transparency in the composition of their management bodies, from the board of administrators through to executive staff and managerial staff,

(o) that it conduct a regular check on the level of implementation, by all the Member States, of the measures to combat criminal activities for the financing of terrorism, in order to introduce in good time the requisite changes enabling an optimisation of the fight against international terrorism,

(p) that it call for an evaluation study of the efforts made to reduce the international financing of terrorism and how to enhance those efforts,

2. Instructs its President to forward this recommendation to the Council and, for information, to the Commission.

31.3.2005

PROPOSITION FOR A RECOMMENDATION TO THE COUNCIL
B6-0221/2005

tabled pursuant to Rule 114(1) of the Rules of Procedure

by Stefano Zappalà

on behalf of the PPE-DE Group

on preventing and combating the financing of terrorism through measures to improve exchanges of information, transparency and the traceability of financial transactions

The European Parliament,

– having regard to the Declaration on combating terrorism, adopted at the European Council meeting of 24 and 25 March 2004,

– having regard to the European Union's revised Plan of action against terrorism, adopted at the European Council meeting of 17 and 18 June 2004,

– having regard to the set of measures for the prevention and suppression of terrorism provided for in the Hague Programme, which was adopted at the European Council meeting of 4 and 5 November 2004, supplemented by the conclusions of the Presidency of the European Council of 16 and 17 December 2004, in particular those relating to terrorism,

– having regard to the Directive on the use of the financial system for the purpose of money laundering, including terrorist financing,

– having regard to Rule 114(1) of its Rules of Procedure,

A. whereas the measures referred to in the Hague Programme which are relevant to the fight against terrorist financing, in particular as regards information, should be implemented rapidly, in order to strengthen freedom, security and justice in the European Union,

B. whereas the European security strategy calls for action to be taken against threats through political, diplomatic, humanitarian, economic and financial measures and through police, judicial and military activities,

C. whereas terrorists have shown considerable creativity in the way they transfer money and use new systems to collect money, in particular cash couriers, money remittance systems such as Hawala and transfers through charitable organisations,

D. whereas the exchange of information is an effective means of combating terrorist financing,

1. Addresses the following recommendations to the Council:

a) that it establish intelligence-sharing standards and a person responsible at European level for information technologies in order to help EU intelligence services to share information and 'establish networks',

b) that it adopt the third Directive on money laundering without delay,

c) that it work with the International Monetary Fund (IMF) to encourage global efforts against money laundering and terrorist financing,

d) that it ask those countries with reservations to ratify the Protocol to the 2000 Convention on mutual assistance in criminal matters and the United Nations Convention on the suppression of the financing of terrorism, and to transpose the decision on combating terrorism and the Eurojust decision of 28 February 2002,

e) that it call for an evaluation study of efforts to reduce the international financing of terrorism and how to improve these efforts;

2. Instructs its President to forward this recommendation to the Council and, for information, to the European Council and the Commission.